Project Tracking No.: P-009-FY06-DAS & DOM

Return on Investment (ROI) Program Funding Application

This template was built using the ITD ROI Submission Intranet application.
FINAL AUDIT REQUIRED: The Enterprise Quality Assurance Office of the Information Technology Department is required to perform post implementation outcome audits for all Pooled Technology funded projects and may perform audits on other projects.

This is a Pooled Technology Fund Request. Amount of funding requested: $2,700,000.00

Section I: Proposal

Date:	7/15/2004
Agency Name:	Department of Administrative Services
Project Name:	I3 Implementation Transition Funding
Agency Manager:	John Gillispie (ITD)
Agency Manager Phone Number / E-Mail:	(515)725-4707 / John.Gillispie@icn.state.ia.us
Executive Sponsor (Agency Director or Designee): Mollie Anderson	

A. Project Summary

Describe the nature and use of the proposed project, including what is to be accomplished, how it will be accomplished, and what the costs and benefits will be.
Response:

I3 is Iowas new web-based financial management and enterprise resource planning system. It consists of several modules including Budgeting, Financial, Human Resources, Purchasing and includes many new features designed to make managing Agency budgets easier and more accurate. This system replaces several existing mainframe systems most notably IFAS and HRIS that were designed and built over 20 years ago. The project was planned for phased implementation and currently, the financial module is in the roll-out implementation phase. Additionally, many components of the data warehouse have been activated. Full implementation will continue through Fiscal Years 2005 and 2006. Over the last few years, State Agencies have seen dramatic budget reductions due to reduced state revenues. When I3 was first planned, it was anticipated that during implementation, there would be a cost bubble. However, with budgets dramatically reduced, any increase in costs over what Agencies are currently paying for their financial management services will result in additional reductions of services to Iowans and staff lay-offs. By providing implementation transition funding, State Agencies already hit hard by budget cuts will be able to plan for I3 costs within the FY07 budget year.

B. Strategic Plan

How does the proposed project fit into the strategic plan of the requesting agency?
Response:

This is a major new strategic direction for the State of Iowa participating agencies. This includes all Executive Branch Agencies and most non-Ececutive Branch groups. The adoption of this technology brings Iowa into a databased, web environment. Over the next several years, many elements of the system will continue to expand and evolve, specifically the data warehouse component. The data warehouse within I3 will provide significantly enhanced information to a virtually all levels and groups of State Government. In addition, users will have the ability to produce reports from their workstations in the manner that best meets their informational needs.

C. Current Technology

Provide a summary of the technology used by the current system. How does the proposed project impact the agency's technological direction?
Response:

This technology is founded on a DB2 database environment with access through web-based portal applications. It replaces VSAM and IDMS mainframe programming developed over 20 years ago.

D. Statutory or Other Requirements

Is this project or expenditure necessary for compliance with a Federal law, rule, or order?
☑ YES (If "Yes", cite the specific Federal law, rule or order, with a short explanation of how this project is impacted by it.)
Explanation:
Iowa is required by Federal statutes to maintain a financial management system. The system must be capable of providing the required reporting within all programs recieving funding from the Federal Government.

Is this project or expenditure required by state law, rule or order?
☑ YES (If "YES", cite the specific state law, rule or order, with a short explanation of how this project is impacted by it.)
Explanation:
State statutes require all Branchs of Governement to maintain financial management systems. In addition, the I3 project has recieved Legislative funding for development.

Does this project or expenditure meet a health, safety or security requirement?
☐ YES (If "YES", explain.)
Explanation:

Is this project or expenditure necessary for compliance with an enterprise technology standard?
☑ YES (If "YES", cite the specific standard.)
Explanation:
This project is the enterprise standard for the State financial, budget, human resources and purchasing systems and processes.

[This section to be scored by application evaluator.]
Evaluation (20 Points Maximum)
If the answer to these criteria is "no," the point value is zero (0). Depending upon how directly a qualifying project or expenditure may relate to a particular requirement (federal mandate, state mandate, health-safety-security issue, or compliance with an enterprise technology standard), or satisfies more than one requirement (e.g. it is mandated by state and federal law and fulfills a health and safety mandate), 1-20 points awarded.

E. Impact on Iowa's Citizens

a. Project Participants

List the project participants (i.e. single agency, multiple agencies, State government enterprise, citizens, associations, or businesses, other levels of government, etc.) and provide commentary concerning the nature of participant involvement. Be sure to specify who and how many **direct** users the system will impact. Also specify whether the system will be of use to other interested parties: who they may be, how many people are estimated, and how they will use the system.

Response:

Department of Management - DOM is the primary partner in this project.

Department of Administrative Services - All enterprises with DAS (ITE, HRE, SAE, and GSE) are integrated participants for the system as a whole and as primary subject matter experts within each of the modules.

All Executive Branch Departments and Agencies.

Non-Executive Branch Agencies including Secretary of State, Judicial Branch and other elected offices.

b. Service Improvements

Summarize the extent to which the project or expenditure improves service to Iowa citizens or within State government. Included would be such items as improving the quality of life, reducing the government hassle factor, providing enhanced services, improving work processes, etc.
Response:

I3 is both provides both direct and indirect service improvements to Iowas Citizens and Businesses.

For businesses doing business with the State, I3 provides for better, more integrated payment processes making it more effecient and effective for Iowas business community to provide the necessary invoice documentation and receive payments for services.

Citizens will receive better financial information concerning the budget and expenses of the Government. Through web-based systems, Iowa will be able to post financial results and outcomes in a more integrated fashion, promoting better accountability of State Governement.

c. Citizen Impact

Summarize how the project leads to a more informed citizenry, facilitates accountability, and encourages participatory democracy. If this is an extension of another project, what has been the adopted rate of Iowa's citizens or government employees with the preceding project?
Response:

Adoption of this system also provides for improved processes. Citizens have regular contact with Iowas financial management systems every day; every time they do business with Government. Whether it be renewing an automobile registration, paying taxes, receiving tax refunds, buying a fishing license Iowans interact with Iowas financial management system daily.

Improved processes make these interactions more accurate and less cumbersome.

d. Public Health and/or Safety

Explain requirements or impact on the health and safety of the public.
Response:
With tight budgets, better financial management reduces ineffective spending. Better financial management information, helps executives and managers within State Government identify those opportunities to reduce and eliminate ineffective spending.

The result is freed up resources for things like Public safety, better access to medical services, and other priorities of the State.

Evaluation (10 Points Maximum)

- Minimally improves Customer Service (0-3 points).
- Moderately improves Customer Service (4-6 points).
- Significantly improves Customer Service (7-10 points).

Evaluation (15 Points Maximum)

- Minimally directly impacts Iowa citizens (0-5 points).
- Moderately directly impacts Iowa citizens (6-10 points).
- Significantly directly impacts Iowa citizens (11-15 points).

F. Process Reengineering

Provide a pre-project or pre-expenditure (before implementation) description of the impacted system or process. Be sure to include the procedures used to administer the impacted system or process and how citizens interact with the current system.
Response:
There are literally hundreds of processes that have been re-engineered as part of this system development and initial implementation.

Provide a post-project or post-expenditure (after implementation) description of the impacted system or process. Be sure to include the procedures used to administer the impacted system or process and how citizens will interact with the proposed system. In particular, note if the project or expenditure makes use of information technology in reengineering traditional government processes.
Response:
When the system is fully implemented, Iowa will have eliminated thousands of hours of duplicate data entry and signficantly enhanced the integration of information.

Evaluation (10 Points Maximum)

- Minimal use of information technology to reengineer government processes (0-3 points).
- Moderate use of information technology to reengineer government processes (4-6 points).
- Significant use of information technology to reengineer government processes (7-10).

G. Timeline

Provide a projected timeline for this project. Include such items as planning, database design, coding, implementation, testing, conversion, parallel installation, and date of final release. Also include the parties responsible for each item.

Response:

<u>**Evaluation (5 Points Maximum)**</u>

- The timeline contains several problem areas (0-2 points)
- The timeline seems reasonable with few problem areas (3-4 points)
- The timeline seems reasonable with no problem areas (5)

H. Funding Requirements

On a fiscal year basis, enter the estimated cost by funding source: Be sure to include developmental costs and ongoing costs, such as those for hosting the site, maintenance, upgrades, ...

	FY06		FY07		FY08	
	Cost($)	% Total Cost	Cost ($)	% Total Cost	Cost ($)	% Total Cost
State General Fund	$0	0%	$0	0%	$0	0%
Pooled Tech. Fund /IowAccess Fund	$2,700,000	100%	$0	0%	$0	0%
Federal Funds	$0	0%	$0	0%	$0	0%
Local Gov. Funds	$0	0%	$0	0%	$0	0%
Grant or Private Funds	$0	0%	$0	0%	$0	0%
Other Funds (Specify)	$0	0%	$0	0%	$0	0%
Total Project Cost	$2,700,000	100%	$0	100%	$0	100%
Non-Pooled Tech. Total	$0	0%	$0	0%	$0	0%

[This section to be scored by application evaluator.]

<u>**Evaluation (10 Points Maximum)**</u>

- The funding request contains questionable items (0-3 points)
- The funding request seems reasonable with few questionable items (4-6 points)
- The funding request seems reasonable with no problem areas (7-10)

I. Scope

Is this project the first part of a future, larger project?
☑ YES (If "YES", explain.) ☐ NO, it is a stand-alone project.
Explanation:
This ROI covers a portion of the implementation transition costs.

Is this project a continuation of a previously begun project?
☑ YES (If "YES", explain.)
Explanation:
This ROI covers a portion of the implementation transition costs.

J. Source of Funds

On a fiscal year basis, how much of the total project cost ($ amount and %) would be <u>absorbed</u> by your

agency from non-Pooled Technology and/or IOWAccess funds? If desired, provide additional comment / response below.

Response:
The source of funds for the system come from;
1. Legislative funding for the development.
2. Customer Agency Payments.

In FY06, during the transition implementation, operational costs will see a bubble as multiple overlapping systems are maintained. As each module is implemented, the overlapping systems will be retired resulting in the elimination of the cost bubble.

[This section to be scored by application evaluator.]

<u>Evaluation (5 Points Maximum)</u>

- 0% (0 points)
- 1%-12% (1 point)
- 13%-25% (2 points)
- 25%-38% (3 points)
- 39%-50% (4 points)
- Over 50% (5 points)

Section II: Financial Analysis

A. Project Budget Table

It is necessary to <u>estimate and assign</u> a useful life figure to <u>each</u> cost identified in the project budget. Useful life is the amount of time that project related equipment, products, or services are utilized before they are updated or replaced. In general, the useful life of hardware is three (3) years and the useful life of software is four (4) years. Depending upon the nature of the expense, the useful life for other project costs will vary between one (1) and four (4) years. On an exception basis, the useful life of individual project elements or the project as a whole may exceed four (4) years. Additionally, the ROI calculation must include all <u>new</u> annual ongoing costs that are project related.

The Total Annual Prorated Cost (State Share) will be calculated based on the following equation:

$$\left[\left(\frac{Budget\ Amount}{Useful\ Life}\right) \times \%\ State\ Share\right] + \left(Annual\ Ongoing\ Cost \times \%\ State\ Share\right) = Annual\ Prorated\ Cost$$

Budget Line Items	Budget Amount (1st Year Cost)	Useful Life (Years)	% State Share	Annual Ongoing Cost (After 1st Year)	% State Share	Annual Prorated Cost
Agency Staff	$0	1	0.00%	$0	0.00%	$0
Software	$0	4	0.00%	$0	0.00%	$0
Hardware	$0	3	0.00%	$0	0.00%	$0
Training	$0	4	0.00%	$0	0.00%	$0
Facilities	$0	1	0.00%	$0	0.00%	$0
Professional Services	$0	4	0.00%	$0	0.00%	$0
ITD Services	$2,700,000	8	70.00%	$0	0.00%	$236,250

Supplies, Maint, etc.	$0	1	0.00%	$0	0.00%	$0
Other	$0	1	0.00%	$0	0.00%	$0
Totals	$2,700,000	---	---	$0	---	$236,250

B. Spending Plan

Explain how the funds will be allocated.

Response:

These funds will be used to cover FY06 operational costs involved in the utilization of I3 and the maintenance and retirement of systems being replaced.

C. Tangible and/or Intangible Benefits

Respond to the following and transfer data to the ROI Financial Worksheet as necessary:

1. Annual Pre-Project Cost - This section should be completed only if state government operations costs are expected to be reduced as a result of project implementation. **Quantify actual state government direct and indirect costs** (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation.
Describe Annual Pre-Project Cost:

Quantify Annual Pre-Project Cost:

	State Total
FTE Cost (salary plus benefits):	$0.00
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	$0.00
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	$0.00
Total Annual Pre-Project Cost:	$0.00

2. Annual Post-Project Cost - This section should be completed only if state government operations costs are expected to be reduced as a result of project implementation. **Quantify actual state government direct and indirect costs** (personnel, support, equipment, etc.) associated with the activity, system or process after project implementation.
Describe Annual Post-Project Cost:

Quantify Annual Post-Project Cost:

	State Total
FTE Cost (salary plus benefits):	$0.00
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	$0.00
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if	$0.00

applicable, etc.):	
Total Annual Post-Project Cost:	$0.00

3. Citizen Benefit - Quantify the estimated annual value of the project to Iowa citizens. This includes the "hard cost" value of avoiding expenses ("hidden taxes") related to conducting business with State government. These expenses may be of a personal or business nature. They could be related to transportation, the time expended on or waiting for the manual processing of governmental paperwork such as licenses or applications, taking time off work, mailing, or other similar expenses. As a "rule of thumb," use a value of $10 per hour for citizen time.

Describe savings justification:

Transaction Savings

Number of annual online transactions:	0
Hours saved/transaction:	0
Number of Citizens affected:	0
Value of Citizen Hour	0
Total Transaction Savings:	$0
Other Savings (Describe)	$0
Total Savings:	$0

4. Opportunity Value/Risk or Loss avoidance - Quantify the estimated annual non-operations benefit to State government. This could include such items as qualifying for additional matching funds, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, avoiding the consequences of not complying with State or Federal laws, providing enhanced services, avoiding the consequences of not complying with enterprise technology standards, etc.

Response:
By providing transition funding, borrowing money will not be necessary to cover the bubble of implementation costs. This will result in interest savings. Without transition implementation funding the interest costs associated with borrowing money, will be passed onto using Agencies resulting in reduction of services and staff lay-offs in future years. Additionally, by providing this funding eliminates the principal portion of the borrowed money also from future payments.

5. Benefits Not Readily Quantifiable - List and summarize the overall non-quantifiable benefits (i.e., IT innovation, unique system application, utilization of new technology, hidden taxes, improving the quality of life, reducing the government hassle factor, meeting a strategic goal, etc.).
Response:

ROI Financial Worksheet	
A. Total Annual Pre-Project cost (State Share from Section II C1):	$0
B. Total Annual Post-Project cost (State Share from Section II C2):	$0
State Government Benefit (= A-B):	$0
Annual Benefit Summary:	$0
State Government Benefit:	$0
Citizen Benefit:	$0
Opportunity Value or Risk/Loss Avoidance Benefit:	$3,714,627
C. Total Annual Project Benefit:	$3,714,627
D. Annual Prorated Cost (From Budget Table):	$236,250

Benefit / Cost Ratio: (C/D) =	15.72
Return On Investment (ROI): ((C-D) / Requested Project Funds) * 100 =	128.83%

[This section to be scored by application evaluator.]

<u>Evaluation</u> **(25 Points Maximum)**

- The financial analysis contains several questionable entries and provides minimal financial benefit to citizens (0-8 points).
- The financial analysis seems reasonable with few questionable entries and provides a moderate financial benefit to citizens (9-16 points).
- The financial analysis seems reasonable with no problem areas and provides maximum financial benefit to citizens (17-25).

Note: For projects where no State Government Benefit, Citizen Benefit, or Opportunity Value or Risk/Loss Avoidance Benefit is created due to the nature of the project, the Benefit/Cost Ratio and Return on Investment values are set to Zero.

Appendix A. Auditable Outcome Measures

For each of the following categories, <u>list the auditable metrics for success </u>after implementation and <u>identify how they will be measured.</u>

1. Improved customer service

2. Citizen impact

3. Cost Savings
Eliminates $1,014,627 of total interest.

4. Project reengineering

5. Source of funds (Budget %)

6. Tangible/Intangible benefits